

ORIGINAL

Decision No. 72043

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WESTERN CALIFORNIA TELEPHONE COMPANY, a corporation, for authority to establish extended service between Kenwood and Santa Rosa Exchanges, and to withdraw message toll telephone service rates now in effect between said exchanges.

Application No. 50247
(Filed May 17, 1968)

WESTERN CALIFORNIA TELEPHONE COMPANY, a corporation,

Complainant,

vs.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation,

Defendant.

Case No. 8844
(Filed October 21, 1968)

Investigation on the Commission's own motion into the rates, rules, charges, tolls, classifications, contracts, practices, operations, facilities and service of WESTERN CALIFORNIA TELEPHONE COMPANY and THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 8866
(Filed November 19, 1968)

Claude N. Rosenberg, of Bacigalupi, Elkus, Salinger & Rosenberg, for Western California Telephone Company, applicant in Application No. 50247, complainant in Case No. 8844 and respondent in Case No. 8866.

Richard Siegfried, for The Pacific Telephone and Telegraph Company, defendant in Case No. 8844 and respondent in Case No. 8866.

George Partis, for Kenwood Improvement Club, interested party.

William Knecht, for California Farm Bureau Federation, interested party.

Elinore C. Morgan, Counsel, and Ermet J. Macario, for the Commission staff.

O P I N I O N

These three matters are (1) an application of Western California Telephone Company (Western) for authority to establish extended area telephone service between its Kenwood exchange and the Santa Rosa exchange of The Pacific Telephone and Telegraph Company (Pacific) and to set rates therefor, (2) a complaint of Western against Pacific respecting intercompany arrangements for the division between them of the revenues from such extended service and (3) an investigation, on the Commission's own motion, of both utilities respecting the proposed service and intercompany arrangements.

After due notice, public hearings in these three matters were heard on a consolidated record before Examiner Emerson on June 17, 1969 at Kenwood, on June 18 and July 18, 1969 at San Francisco and on January 27, 1970 at Santa Rosa. On the latter date Western formally withdrew its complaint (Case No. 8844) against Pacific and the matters were taken under submission.

Western's application was filed on May 17, 1968, nearly two years ago, but the requests of the people of Kenwood to have toll-free calling to Santa Rosa predate such application by several years. We believe a brief recital of the circumstances and events which have so long delayed a conclusion of these matters is not only appropriate but is necessary at this point.

Santa Rosa is the hub of activity for a large surrounding area. Insofar as telephone usage is concerned, Pacific's Santa Rosa exchange is the "core" exchange. Extended area telephone service was authorized between it and all surrounding Pacific exchanges in 1964,^{1/} after lengthy studies by Pacific. Western did

^{1/} Decision No. 67883 in Application No. 45934, issued Sept. 22, 1964.

not at that time seek to have its adjoining Kenwood exchange included because Western's 1963 studies showed that, under the only settlement arrangements which Pacific would then countenance, an excessive increase in Kenwood rates would have been required. In all of the years since, however, the people of Kenwood have continued their requests for toll-free calling to Santa Rosa. In November of 1967 a petition with some 180 signatures amplified their request and further studies were undertaken by Western. The 1968 study disclosed that some 10 percent of Kenwood subscribers were taking Santa Rosa foreign exchange service (FEX) and that the community of interest factor for the balance of the subscribers had become approximately 9.7 (that is, Kenwood subscribers were placing an average 9.7 calls per telephone to Santa Rosa each month). Western again approached Pacific and asked Pacific to join it in an application for authority to establish the extended service. Pacific declined. Western then filed its application and rate request and not long thereafter its complaint against Pacific seeking adjudication of their disagreement regarding the financial arrangements for the service which their respective subscribers would receive if the proposed extended area service were to be authorized.

Meanwhile, Western lost certain of its "key" employees and to avoid even further delay, it had to obtain the services of certain personnel of its affiliate, General Telephone Company of California (General).^{2/} General and Pacific were each engaged in prosecuting system-wide rate increase proceedings of their own, in each of which extended area problems were involved. In the expectation that extended area service problems would be solved on

^{2/} Western California Telephone Company and General Telephone Company of California are each subsidiaries of General Telephone & Electronics.

a state-wide basis, attention to the problem of Kenwood-Santa Rosa was put aside until the conclusion of these major rate cases. New rate levels were established by these rate cases and an extended area service "rate formula" was established for Pacific exchanges, but the hoped for state-wide solution did not materialize. Thus, Western was faced with virtually a whole new set of rate facts and found it necessary to re-survey its subscribers and revise its earlier study. Further, Pacific and General (Western's affiliate) and, indeed, the whole independent telephone industry in California began negotiations relative to the "settlement" arrangements between the Independents and Pacific.^{3/} Conclusion of such negotiations is not yet in sight, but the prospect of agreement caused some further delay during the course of the hearings herein.

On several occasions Western requested that the issue as to whether or not extended area service should be authorized for the Kenwood-Santa Rosa route, be submitted for decision and that the matter of setting rates for the service be deferred. Such suggestion was rejected by the Examiner for several reasons, among which were (1) that such a "blank check" approach might well work to the great disadvantage of Kenwood subscribers by later forcing upon them rates of such magnitude that for a majority of them the whole extended area concept would become unacceptable,^{4/} (2) that the issue regarding settlements which was the subject of Western's own complaint against Pacific had a direct bearing on the magnitude of the rate increases to be assessed against the ratepayers of both companies and (3) that irrespective of the wishes of either company, the Commission is charged with the duty of protecting the overall

^{3/} Such "settlements" have a direct bearing on the level of rates for Independent-Pacific extended area services.

^{4/} The evidence shows that some 22% of the Kenwood subscribers do not want the service even at the rates originally proposed.

public interest and of determining that the rates to be authorized would not produce undue discrimination between subscribers or between classes of subscribers. Until the final day of hearing and just before submission, the record did not contain evidence sufficient to permit a rational determination as to those elements, hence we affirm the Examiner's rulings with respect thereto.

The evidence is clear that some 78 percent of the Kenwood subscribers desire "free" calling to Santa Rosa at reasonably increased monthly exchange service rates. Of the many Kenwood subscribers who attended the hearing in Kenwood, only one opposed the proposed rates and only one suggested that some option should be offered. At Santa Rosa, where Pacific has some 4,000 business subscribers, only one businessman testified in opposition to the rate proposal.

During the course of the hearings three rate and three settlement proposals were made by the major parties (Western, Pacific and Commission staff). The rate plan which Western most earnestly urged is one which would make Kenwood rates practically identical to those presently applicable to Pacific's Forestville exchange (also a satellite to Santa Rosa). Both Western and the staff determined that the two exchanges have characteristics, such as exchange size, number of subscribers, distance from Santa Rosa, calling patterns and types of businesses, which are similar. While the staff lent some support to the weight to be accorded these similarities, it made a specific rate proposal, based upon a modification of the EAS increment formula established by the Commission in Pacific's latest rate proceeding,^{5/} which would require a 25-cent

^{5/} Decision No. 74917 in Application No. 49142; modified by Exhibit No. 13 in the present proceeding.

increase in business service rates in Santa Rosa and a lesser increase in Kenwood than Western's original proposal would entail.

Each of the rate plans are dependent upon intercompany settlements for the exchanged traffic; Western's Forestville-type rates being predicated on some modification of the "satellite settlement" plan to which Pacific adheres, and the staff's rates being predicated on an additional modification whereby the "revenue credit" portion of the settlement would be equal to the incremental EAS revenue increase in the Kenwood exchange. Western and Pacific, primarily in order to bring this long-pending EAS matter to a conclusion, found the staff rate plan acceptable but only on the understanding or stipulation that it would be ordered by the Commission on an interim basis and without prejudice to the position of either Western or Pacific or other Independent telephone utilities in the settlement negotiations looking to a state-wide settlement agreement and which are still pending. We find such a stipulation for interim rate treatment unacceptable and, we therefore reject it. To authorize the service with "interim" rates and with the prospect for some open-ended subsequent "final" order would do a disservice to Kenwood subscribers. Our rejection of the stipulation, however, should in no way prejudice settlement negotiations even though we shall assume the satellite plan of settlement for the purposes of this proceeding.

We find it to be just and reasonable to authorize the proposed extended area telephone service and to set rates for such service as shown in the following rate comparison.

KENWOOD-SANTA ROSA-EAS RATES

<u>Kenwood</u>	<u>Present Rates</u>	<u>Authorized EAS Rates</u>
Business:		
1-party	\$5.50	\$12.45
2-party	5.00	9.20
Semi-public	.75/19	6.25
Suburban	4.50	8.10
Residence:		
1-party	4.25	5.75
2-party	3.60	4.50
4-party	3.10	3.55
Suburban	3.60	4.35
<u>Santa Rosa</u>		
Business:		
1-party	11.45	11.70
2-party	8.20	8.45
Semi-public	5.75	6.00
Suburban	7.10	7.35
PBX trunk	17.15	17.55

The overall effect of these rates, under the assumed "satellite" settlement plan will be to produce in the future year ending June 30, 1971, an estimated \$1,000 revenue deficiency for Western's Kenwood exchange and an estimated \$2,500 revenue increase for Pacific's Santa Rosa exchange. When such amounts are viewed in the light of the total revenues of each company, the net effects are insignificant.

Findings of Fact

In view of the evidence, the Commission makes the following findings of fact:

1. After due notice, public hearings have been held on a record consolidating Application No. 50247, and Cases Nos. 8844 and 8866; evidence has been adduced; the Commission has been fully informed and the matters stand submitted.

2. Establishment of extended area telephone service between the Kenwood exchange of Western California Telephone Company and

the Santa Rosa exchange of The Pacific Telephone and Telegraph Company is in the public interest and should be authorized.

3. Western California Telephone Company having moved for withdrawal of its complaint as respects intercompany settlements, it is unnecessary to further consider such subject herein.

4. The rates and charges hereinafter authorized for extended area service between the aforesaid telephone exchanges are just and reasonable and present exchange rates and charges insofar as they differ therefrom will become unjust and unreasonable at such time as extended area service is established therefor.

Conclusions of Law

1. The application of Western California Telephone Company (Application No. 50247) should be granted to the extent set forth in the following order and in all other respects denied.

2. The rates applicable to the Santa Rosa exchange of The Pacific Telephone and Telegraph Company should be increased as set forth in the following order.

3. Case No. 8844 should be dismissed.

4. Case No. 8866 should be terminated.

O R D E R

IT IS ORDERED that:

1. Western California Telephone Company (Western) and The Pacific Telephone and Telegraph Company (Pacific) shall, within twenty-four months after the effective date of this order, establish extended area telephone service between their Kenwood and Santa Rosa exchanges.

2. After not less than five days' notice to the public and to this Commission, Western and Pacific shall make effective in the

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aforesaid exchanges on the date on which extended area service is established therein, tariffs revised to reflect the rate changes set forth in Appendix A and Appendix B attached to this order.

3. Case No. 8844 is hereby dismissed.

4. Case No. 8866 is hereby terminated.

The effective date of this order shall be ten days after the date hereof.

Dated at Los Angeles, California, this 7th
day of APRIL, 1970.

William Sproull, Jr.
President
August
M. W. ...
...
Vernon L. Sturgeon
Commissioners

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APPENDIX A

RATES - WESTERN CALIFORNIA TELEPHONE COMPANY

The company's rates for the Kenwood Exchange are changed as set forth in this appendix.

Basic Exchange Service

Rate Per Month

Business Service

1-Party	\$12.45
2-Party	9.20
Suburban	8.10
Semi-Public	6.25

Residence Service

1-Party	5.75
2-Party	4.50
4-Party	3.55
Suburban	4.35

APPENDIX B

RATES - THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY

The company's rates for the Santa Rosa Exchange are changed as set forth in this appendix.

Business Service

Rate Per Month

1-Party	\$11.70
2-Party	8.45
Suburban	7.35
PBX trunk	17.55
Semi-Public	6.00